

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-07 INR-10 L-03

NSAE-00 PA-04 RSC-01 PRS-01 SP-03 USIA-15 TRSE-00

SAJ-01 EB-11 COME-00 NEA-14 H-03 SS-20 NSC-07 DRC-01

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P R 061710Z MAY 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 5513

SECDEF WASHDC PRIORITY

SEC COMMERCE WASHDC PRIORITY

INFO ALL NATO CAPITALS 3963

USCINCEUR

USNMR SHAPE

C O N F I D E N T I A L USNATO 2459

E.O. 11652: GDS

TAGS: EFIN, MCAP, NATO

SUBJECT: BURDENSARING: VISIT OF INTER-AGENCY WORKING GROUP

REF: USNATO 2431 (NOTAL)

BEGIN SUMMARY: INTER-AGENCY WORKING GROUP HAD SUCCESSFUL MEETINGS MAY 2-3 WITH NATO ECONOMIC DIRECTORATE AND REPS FROM ALL NATO DELEGATIONS EXCEPT ICELAND, LUXEMBOURG AND FRANCE. ECONOMIC DIRECTOR LAULAN DISTRIBUTED REPORT SHOWING ESTIMATED FY 74 ALLIED PROCUREMENT (OMITTING FRG AND FRANCE) OF AT LEAST \$1.012 BILLION. HEAD OF US WORKING GROUP (COMMERCE DEPUTY ASST SEC FERREL) TOLD ALLIED REPS THAT BASED ON DETAILS PROVIDED OR TO BE PROVIDED IN BACK-UP QUESTIONNAIRES TO LAULAN STUDY, US SHOULD BE ABLE TO INCLUDE ABOVE FIGURE IN PRESENTATION TO CONGRESS ON JACKSON-NUNN. LAULAN EXHORTED ALLIES TO PROVIDE FINAL FIGURES ASAP AFTER JUNE 30, 1974 AND TO ASSEMBLE NECESSARY DOCUMENTATION TO MAXIMIZE PORTION OF ALLIED PROCUREMENT THAT WILL BE IDENTIFIED AS ENTERING US BOP. US REPS
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BRIEFED ALLIED REPS ON US BOP PREPARATION SCHEDULE, INCLUDING HELP NEEDED FROM ALLIES, AND SUGGESTED PUTTING PROCUREMENT COLLECTION MECHANISM ON PERMANENT BASIS. AVAILABILITY OF COMPLETE DATA ON CONTINUING BASIS WOULD HELP IN POINTING

OUT TO CONGRESS THAT ALLIES ARE MAKING SUBSTANTIAL BURDENSARING
EFFORT. US REPS MET BILATERALLY WITH SEVERAL
DELEGATIONS TO ANSWER SPECIFIC DETAILED QUESTIONS. LAULAN
WILL PREPARE REPORT FOR NAC MEETING WEEK OF MAY 13. END SUMMARY.

1. ECONOMIC DIRECTOR LAULAN DISTRIBUTED REPORT (ED/74/83 DATED
APRIL 74) SHOWING NON-FRG ALLIED PROCUREMENT, INCLUDING
PURCHASES THROUGH NAMSA, HELIP, MRCA, ETC., TOTALLING
\$1,012,438,354 IN FY 74. THIS AMOUNT INCLUDES ESTIMATES OF
FIRM-TO-FIRM TRANSACTIONS ONLY FOR ITALY, NETHERLANDS, AND
BELGIUM. LAULAN EXHORTED OTHER DELEGATIONS TO PROVIDE THIS
INFO ASAP. LAULAN'S REPORT WAS BASED ON QUESTIONNAIRES WHICH
WERE COMPLETE EXCEPT FOR TURKEY (REFTEL), PORTUGAL, ICELAND,
AND NORWAY. LAULAN URGED THESE DELINQUENT DELEGATIONS TO PROVIDE
NECESARY INFO. US REP (FERREL) SAID THAT ASSUMING QUESTION-
NAIRES ON BASIS OF WHICH LAULAN REPORT WAS PREPARED ARE
COMPARABLE TO BELGIAN PILOT STUDY, US SHOULD BE ABLE TO INCLUDE
ALL OF PROCUREMENT REPORTED BY ALLIES AS PART OF PRESENTATION
TO CONGRESS ON JACKSON-NUNN. US REP EXPLAINED THAT
US DEPT OF COMMERCE CAN VERIFY SOME PROCUREMENT AS CLEARLY
ENTERING US BOP. PROCUREMENT THAT CANNOT BE ADEQUATELY
VERIFIED FOR THIS PURPOSE BUT FOR WHICH THERE IS SUFFICIENT
EVIDENCE OF PLAUSIBILITY WILL BE SUBMITTED UNDER SEPARTE
CATEGORY OF OFFSET. US REP FERREL URGED ALLIES TO DEVELOP
SUFFICIENT INFORMATION TO MAXIMIZE THAT PORTION OF \$1 BILLION
ESTIMATE WHICH COMMERCE CAN CERTIFY AS CLEARLY ENTERING USBOP.

2. US REP POINTED OUT THE NECESSITY OF A MAXIMUM COMMON EFFORT
TO MAXIMIZE AMOUNT OF OFFSET REPORTED TO CONGRESS, PARTICULARLY
IN LIGHT OF POSSIBLE DIFFICULTY WITH CONGRESS WITH PARTS OF
FRG OFFSET (FRG REPS HAD NO PROBLEM WITH THIS). LAULAN ADDED
THAT AMPLE SAFETY MARGIN WOULD BE DESIRABLE TO ENSURE
CONGRESSIONAL SATISFACTION WITH ALLIED EFFORT AND HIGHLIGHTED
NEED FOR INFO ON FIRM-TO-FIRM TRANSACTIONS. UK REP SAID
ESTIMATE, BASED ON INPUT-OUTPUT ANALYSIS, OF SUCH PROCUREMENT
FROM UK WAS \$35 MILLION WHICH COULD BE ADDED TO \$1 BILLION
FIGURE. FRG REP SAID GERMAN PROCUREMENT THROUGH NATO
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AGENCIES, NOT INCLUDED IN US-FRG BILATERAL, WOULD ALSO BE
ADDED. LAULAN AGREED AND ESTIMATED ABOUT \$50-\$60 MILLION
ADDITIONAL EXPENDITURE BY FRG THROUGH SUCH AGENCIES. US REPS
GAVE BREAKDOWN BY COUNTRY OF NON-NATO DEDUCTIONS BRINGING NET
EXPENDITURE FIGURE DOWN TO \$2.1 BILLION.

3. US REP EXPLAINED THAT COMMERCE BUREAU OF ECONOMIC
ANALYSIS (BEA) WOULD FINISH COLLECTING DATA ON ENTIRE FY 74
USBOP ABOUT END SEPTEMBER AND COULD HAVE DATA ON
MILITARY COMPONENT BY ABOUT MID-OCTOBER. PROVISION OF FINAL
ALLIED FIGURES ASAP AFTER JUNE 30 ESSENTIAL TO MEET
THIS SCHEDULE. ALLIED REPS AGREED TO MAKE NECESSARY EFFORT
TO PROVIDE FINAL FIGURES INCLUDING SPECIFIC DETAILS (NOT NOW

INCLUDED IN QUESTIONAIRES) THAT WOULD PERMIT BEA TO RE-CODE SOME APPARENTLY NON-MILITARY TRANSACTIONS AS MILITARY TRANSACTIONS. US REP POINTED OUT THAT MAXIMIZATION OF PROCUREMENT CERTIFIED BY BEA WOULD REDUCE NET DEFICIT TO BE COVERED BY SEPARATE OFFSET PRESENTATION AND THEREFORE HAVE FAVORABLE IMPACT ON US CONGRESS. SEVERAL ALLIED REPS EXPRESSED SPECIFIC AGREEMENT TO ATTEMPT TO DEVELOP INFORMATION NEEDED BY BEA. US REP SAID THAT COMMERCE WOULD LIKE THIS FALL TO DISCUSS ANY DISCREPANCIES BETWEEN PROCUREMENT REPORTED BY ALLIES AND AMOUNTS VERIFIED BY BEA IN ORDER TO DETERMINE IF ADJUSTMENTS TO BEA DATA COULD BE MADE. IN THIS CONNECTION, VISITS BY COMMERCE BOP EXPERTS TO NATO CAPITALS CONCERNED MAY BE POSSIBLE.

4. BILATERALS: FOLLOWING SPECIFIC POINTS COVERED IN BILATERAL DISCUSSIONS WITH INDIVIDUAL NATO DELEGATIONS:

A. TURKEY - US REQUESTED MORE DETAILED INFORMATION ON TURKISH MILITARY PROCUREMENT FROM US (REFTEL).

B. NETHERLAND - US RESPONDED TO DUTCH QUERY AS TO WHETHER BURDENSARING WAS A PERMANENT EXERCISE BY POINTING OUT DESIRABILITY OF MAINTAINING AN ACCOUNTING SYSTEM WHICH WILL MAKE REPORTING COMPLIANCE WITH JACKSON-NUNN EASIER IF AMENDMENT RE-ENACTED. DUTCH UNDERTOOK TO IDENTIFY FIRM-TO-FIRM TRANSACTIONS FOR INCLUSION IN ED/74/83 IN DETAIL.

C. DENMARK - DANES REITERATED POSITION THAT US COSTS IN GREENLAND FALL OUTSIDE PURVIEW OF JACKSON-NUNN. US
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SATISFIED DANISH REQUEST BY POINTING OUT THAT MOST OF THESE COSTS WOULD PROBABLY BE EXCLUDED IN JACKSON-NUNN PRESENTATION AS PART OF US STRATEGIC COSTS.

D. UNITED KINGDOM - BRITISH ASKED FOR BREAKDOWN OF US STRATEGIC AND OTHER COSTS WHICH WERE PART OF THE US \$330 MILLION ESTIMATE ON COUNTRY-BY-COUNTRY BASIS AND FOR INFORMATION ON ADJUSTMENTS US MAKES IN PERSONNEL COSTS TO REFLECT FUNDS NOT ENTERING UK BOP. US SATISFIED UK REQUESTS.

E. BELGIUM - BELGIAN REP REQUESTED AND RECEIVED EXTENSIVE EXPLANATION OF US ADJUSTMENTS TO PERSONNEL COSTS. HE WAS NOT COMPLETELY SATISFIED AND US AGREED TO SUPPLY ADDITIONAL INFORMATION.

5. IN SUM, VISIT WAS VERY SUCCESSFUL. TWO-WAY EXCHANGE OF INFORMATION WAS EXTENSIVE AND TONE OF MEETINGS WAS ONE OF CLOSE COOPERATION AND WILLINGNESS TO BE FORTHCOMING. FOR ALLIED REPS, PSYCHOLOGICAL ASPECT WAS AS IMPORTANT AS FACTUAL INFORMATION EXCHANGED. MCAULIFFE

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SEC COMMERCE INFO ALL NATO CAPITALS
USCINCEUR
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